



**Canadian  
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**REPORT ON  
THE  
ENHANCED MONITORING FOLLOW-UP  
ON THE  
MUSEUMS ASSISTANCE PROGRAM**

**Assurance Services  
Corporate Review Branch  
Canadian Heritage**

**December 18, 2002**

**Canada**



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## EXECUTIVE SUMMARY

During the Spring of 2001, a sample of Museums Assistance Program (MAP) proposed funding arrangements for 2001-2002 were subject to the Department of Canadian Heritage's (PCH) Enhanced Monitoring process. On April 30, 2001, a memo was issued to the Program containing many recommendations directed toward improvement in the level of due diligence demonstrated on files overall. In addition, specific recommendations for improvement were made for twenty-six of the files. In accordance with the PCH Internal Audit plan for 2002-03, an audit was undertaken to follow-up on the actions taken by the Program in reference to the April 30, 2001 memo and the recommendations for the twenty-six files.

The results of this audit indicate that actions were not taken on many of the recommendations. We have concluded that the Program is not fully meeting its due diligence requirements in the processing of funding applications.

Following are salient observations noted in this follow-up audit, details of which are contained in the body of this report:

- Parts of Contribution Agreements for the 2001-2002 projects were not in compliance with Treasury Board policy.
- Some funds were not disbursed in accordance with Treasury Board policy.
- Information supporting budgets was incomplete in some files.
- Ineligible expenses were present in budgets in some files.
- Some internal documents were completed incorrectly.

We believe that many of the observations in this report are due to the following needs:

- Better understanding of the Program on the part of personnel;
- Clearer direction from management to personnel at Headquarters and the Regions regarding Program policy and interpretations; and/or
- Better control over the process.

## **BACKGROUND AND SCOPE OF THE REVIEW**

On June 1, 2000, Treasury Board of Canada Secretariat (TB) issued a Policy on Transfer Payments outlining policy and procedures relating to “due diligence” management practices for funding Programs. PCH endorsed the TB policy and implemented a process whereby files for proposed funding arrangements were subject to “due diligence” assessment prior to being presented to the Minister for approval. This process, known as Enhanced Monitoring (EM), calls for files to be reviewed by the program officials and by representatives from the Finance and Corporate Review Branches.

During the Spring, 2001, the Museums Assistance Program presented approximately two hundred and fifty proposed funding arrangements for the 2001-2002 fiscal year. Fifty-four of the proposed arrangements were assessed through the Enhanced Monitoring process. Many opportunities for improvement in due diligence were identified and presented to the Program in a memo to the Director General, Heritage Policy Branch dated April 30, 2001, to which the Program responded on July 17, 2001. Two timeframes for implementation of the recommendations were developed, one relating to the round of funding for the 2001-2002 fiscal year and the other relating to the next round of funding, the 2002-2003 fiscal year. In addition, recommendations were also made to improve twenty-six funding arrangements were also made.

The objectives of this audit were to follow-up on actions taken by the Program in relation to the EM memo of April 30, 2001 and the twenty-six files and to provide recommendations resulting from this follow-up activity to ensure the implementation of due diligence practices for the Program.

## **AUDIT METHODOLOGY**

### **Phase I – Matters relating to the round of funding for the 2001-2002 fiscal year**

To complete this phase of the audit we:

- Prepared an audit program addressing systemic issues noted in the EM memo of April 30, 2001 and the recommendations that were made for the twenty-six files;
- Reviewed documentation from the working files, which included:
  - Contribution Agreements;
  - Cash flow documentation supporting the payment structure in the Contribution Agreements;
  - Approval and Payment Forms (APF) supporting all payments that may have been made;
  - Interim activity and financial reports, as applicable; and
  - Documentation pertaining to specific recommendations for the twenty-six files.

- Followed-up with Program Consultants on observations noted in the review of the documentation.

## Phase II – Matters relating to the round of funding for the 2002-2003 fiscal year

For 2002-2003 the program presented approximately 250 proposed funding arrangements. The EM team had decided to select a sample of approximately 50 files for assessment and that it would be appropriate to select 18 proposed arrangements for this follow-up audit. The sample for the follow-up audit included:

- files from each Region
- files from Headquarters,
- at least one file for each component,
- files from different Program Consultants, and
- files representing a mix of grants and contributions.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **Assessment of Funding Arrangements from 2001-2002**

#### **Contribution Agreements**

Parts of the Contribution Agreements were not in compliance with TB policy and PCH requirements.

Contribution transfer payments are supported by a Contribution Agreement between the Program and the recipient. The agreements are to contain generic information relating to the Program's Terms and Conditions and information and clauses relating specifically to the funding arrangement. Treasury Board, in Appendix C of the Policy on Transfer Payments, outlines the basic provisions to be included in Contribution Agreements.

The EM memo noted that the following matters were missing from the Contribution Agreements in order for them to be in compliance with TB policy:

- Measurable outcomes and methodology to be used to measure performance;
- A list of eligible expenditures with the funding amounts allocated to each expenditure category. The Contribution Agreement was to contain a clause indicating it would be permissible for the recipient to re-allocate funding within the categories up to 10 percent and any transfers in excess of this percentage must be approved by the Program. (The 10 percent ceiling is a PCH recommended practice); and

- A clause stipulating the timeframe of the project and that only expenditures incurred during that period would be eligible.

The EM memo also highlighted other issues that needed to be addressed in order to be in compliance with PCH requirements:

- Payment clauses were to be in accordance with TB policy, i.e. based on the recipient's cash flow requirements;
- Recipient's annual financial statements were to contain a separate schedule for the project indicating revenues from all sources for the project and expenditures;
- A clause was to be contained in the Contribution Agreement stipulating the maximum amount payable would be the lesser of:
  - The \$ amount awarded; or
  - The actual amount of eligible expenditures incurred times 70 percent (for National Outreach Initiative (NOI) and Aboriginal Museum Development (AMD) projects) or 50 percent (for Organizational Development (OD) projects).

Headquarters prepared an English Contribution Agreement template and shared it with all Regions. The Quebec Region developed a French template. Both templates were reviewed.

The templates did not fully meet Treasury Board requirements, did not comply with all the recommendations in the April 30, 2001 memo and in some instances, were, in our opinion, inappropriately modified when put into practice resulting in further non-compliance. The templates did not contain the following TB and PCH requirements:

TB requirements:

- The requirement for the provision of measurable outcomes and the methodology to be used to measure performance;
- An indemnification clause for the benefit of the Crown; and
- The requirement that lobbyists are to be registered pursuant to the Lobbyist Registration Act.

PCH requirement:

- The 10 percent limit on re-allocation of funding within expenditure categories and the requirement for any transfers in excess of this percentage to be approved by the Program.

Modifications included:

- The clause indicating that overpayments will be required to be reimbursed to the Receiver General was deleted; and
- Financial reporting requirements were altered.

There were inconsistencies between the English and French templates:

- The French template called for payments to be based on recipient's cash requirements. The English template called for the initial payment to be an advance of 75 percent of the total contribution.
- The French template called for the Recipient to ensure that the audited financial statements include a separate schedule for the project revenues and expenditures. This requirement was not present in the English template.
- The English template contained the requirement to include a listing of eligible expenditure amounts, by category. The French template called for a listing of expenditure category types only and did not include the dollar amounts by category.
- The English template contained a clause limiting the total amount of the contribution to the lesser of:
  - The \$ amount awarded; or
  - The actual amount of eligible expenditures incurred times 70 percent (for NOI and AMD) or 50 percent (for OD).This clause was not present in the French template.

Better coordination in the development of Contribution Agreement templates and clearer direction from NHQ would have resulted in the agreements, from all Regions, being compliant with TB policy and PCH requirements.

### **Recommendation**

**The Director General, Heritage Policy Branch ensure that:**

- **The Program prepares a template, in both official languages, that is in compliance with TB and PCH requirements.**
- **The template is forwarded to the Departmental Centre of Expertise on Grants and Contributions for review.**
- **The template is used by all Regions and any modifications be:**
  - a. approved by the Regional Executive Director, supported by an appropriate note of justification on the working file: and**
  - b. discussed with the DG, Heritage Policy Branch.**

### **Management Response**

**The Director General, Heritage Policy Branch, will ensure that:**



- **The Contribution Agreement template, in both official languages, is in compliance with TB and PCH requirements; the template was finalized at the end of October 2002.**
- **The template will be forwarded to Finance and Corporate Review for approval.**
- **The template will be used by all Regions and any modifications will be approved by the Regional Executive Director, who will discuss with the DG, Heritage Policy Branch, and will be supported with an appropriate note of justification on the working file.**

## **Management of Funds**

Disbursements to recipients were made in advance of recipient's needs.

Treasury Board, in its Transfer Payment Policy, indicates that payments should be a reimbursement of expenditures or costs incurred by a recipient, i.e. the recipient makes the disbursement and then requests reimbursement. TB further states that where advances are necessary, they should be limited to cash requirements based on cash flows.

### Advance Payments

The English Contribution Agreement template called for advance payments as follows:

- Initial payment equal to 75 percent of the awarded amount;
- Interim payment up to 15 percent of the awarded amount; and
- Final payment (holdback).

This resulted in payments being issued prior to a recipient's need for funding.

### Inadequate Cash Flow Documentation

The French template called for advance payments based on cash requirements for the first four months. This requirement was to be supported by a cash flow from the Recipient. We noted however, in two of seven instances, the cash flow document was not sufficient as:

- Both cash flows pertained only to the funding to be provided by the Program, and not the overall project; and
  - In one case, the document reflected an amount of \$9,000 per month which appears to be unrealistic as there were no fluctuations in the timing of requirements; and
  - In the other case, the document was simply a listing of expenditures. The expenditures were not allocated by month as is the norm with cash flows.

### Poor Management Practices

During the EM exercise last year, in two of the 26 files, the EM Team recommended approval of the files subject to the completion of certain conditions. Contribution

Agreements were drafted on September 27, 2001 to reflect these conditions but were subsequently amended on October 2, 2001 and the conditions were removed. Consequently, an advance of 75 percent of the awarded amount was disbursed, contrary to the conditions set by the EM team but was in accordance with the amended contribution agreement.

The initial condition sought to provide appropriate control to ensure that funds were disbursed only when funds were required. By amending the initial contribution agreement and overriding the condition, the management of the program introduced an element of risk with respect to appropriate management of the funds. In fact, at the time of the audit, with 1 month remaining in the fiscal year, little activity had been undertaken and the funds released in October 2001 remained unspent in February 2002.

It is appropriate that the Program determine if overpayments occurred and if so, recover the overpayments of the unspent funds as at March 31, 2002.

### **Recommendations**

**The Director General, Heritage Policy Branch ensure that:**

- **The Program make payments in accordance with cash flow requirements.**
- **The policy be implemented in all Regions and any departures be approved by the Regional Executive Director supported by a note of justification on the working file.**
- **The Program determine if overpayments occurred and, if so, recover the overpayments of the unspent funds as at March 31, 2002.**

### **Management Response**

**The Director General, Heritage Policy Branch, will ensure that:**

- **Payments are made in accordance with cash flow requirements.**
- **The transfer payment policy will be followed by all Regions and any modifications will be approved by the Regional Executive Director, who will discuss with the DG, Heritage Policy Branch, and will be supported with an appropriate note of justification on the working file.**
- **Action will be initiated to recover overpayments as outlined in the revised program guidelines.**

### **Other Observations**

### Opportunities for Improvement in Management Practices

A number of funding arrangements did not proceed within the planned timeframes and, as a result, the completion dates were moved to the following fiscal year, resulting in completion dates not being in accordance with the Minister's approval and the dates in the Contribution Agreements. In these instances it was necessary to re-allocate funding to the 2002-2003 fiscal year.

We also noted, in a number of instances, that there were protracted lapses of time between the date of approval by the Minister and the date of signing the Contribution Agreement. Based on a sample of seven files, the average delay was 3.4 months. We believe closer monitoring by Program management would have reduced these delays.

### **Recommendation**

**The Director General, Heritage Policy Branch develop a system to ensure that all activities within the funding arrangement process are undertaken on a timely basis to facilitate completion of projects within the approved timeframe.**

### **Management Response**

**The Director General, Heritage Policy Branch will develop a system in concert with the Regional Executive Directors for funding cycle 2003-2004, to ensure that all activities within the funding arrangement process are undertaken on a timely basis to facilitate completion of projects within the approved timeframe.**

### The Bursary Program

For the past number of years, the Program has provided \$100,000 in funding to the Canadian Museums Association (CMA) for the Bursary Program. The funding arrangement has been processed through the Program's Organizational Development (OD) component through which recipients are entitled to receive up to 50 percent of project costs.

The purpose of the Bursary Program is to provide funding to individuals and organizations in the museum community to partially offset the costs of attending professional development initiatives. Review of the most recent financial statements for the CMA indicates that, for the past two years, the Bursary Program costs were slightly less than \$100,000. In reference to the Program guidelines, 50 percent for OD projects, the recipient should receive only one-half of actual expenditures incurred, that is, approximately \$50,000. In this respect, we believe overpayments have occurred and recovery of overpaid amounts would be appropriate.

In the past, the Branch's interpretation of the Bursary Program has differed. The Program's position has been that the CMA is only a conduit for the money and it is not contributing financially to the Bursary Program. CMA reimburses 50% of the project costs through a "bursary". The project costs were incurred either by the "real" recipient, i.e. a museum professional or a student in the field.

Further, the audit team does not believe that the Bursary Program should be funded under the OD component. Section 4.2 of the Terms and Conditions, for Professional Development and Standards cites the Bursary Program as an example of an eligible funding initiative.

### **Recommendations**

#### **The Director General, Heritage Policy Branch:**

- **Ensure that future funding for the Bursary Program is done through the "Contribution by the Department of Canadian Heritage to the Canadian Museums Association".**
- **Develop a strategy to recover prior year overpayments to the Canadian Museums Association for the Bursary Program.**

### **Management Responses**

#### **The Director General, Heritage Policy Branch, will:**

- **Ensure funding for the Bursary Program is now done through the "Contribution by the Department of Canadian Heritage to the Canadian Museums Association".**
- **Ensure appropriate action is taken to recover prior year overpayments to the Canadian Museums Association for the Bursary program. The Branch has already asked the CMA to update their previous years' reports.**

## Assessment of Proposed Funding Arrangements for 2002-2003

### Eligibility

#### Outcomes and Measurement Criteria

Outcomes are the results or consequences of undertaking an initiative, i.e. a project. Outcomes may be of an immediate, medium-term or long-term nature. In some projects, such as research or feasibility studies, there may not be any outcomes at all, but rather an output such as a report. Measurable outcomes and evaluation methodology are necessary to measure success of attaining outcomes and consequently success of the project.

The 2002-2003 Program guidelines called for applicants to include in their proposals measurable outcomes and plans to evaluate their achievement. For many of the proposed funding arrangements, measurable outcomes and evaluation criteria were neither in the applicant's proposals nor in the working file as stand-alone documents. We noted that the guidelines did not provide explanatory information on the development of outcomes and measurement criteria which may have been the reason why the required information was not present in the applicant proposals.

#### Cash Flow Documents

Treasury Board's Policy on Transfer Payments, based on the principle of prudent cash management, calls for "payments should be timed to correspond as closely as practicable to recipients' cash flow requirements." To meet this requirement it is necessary that the applicant provide a cash flow statement for the overall project, including cash revenues from all sources and total project cash expenditures.

The Program guidelines called for applicants to include cash flows with their proposals. None of the proposals or working files contained the required information. We noted that the guidelines did not provide any explanatory information on preparation of cash flows, this possibly being the reason there was no compliance by applicants.

#### Applicant Past Performance

An objective of due diligence is to ensure that funding arrangements are successfully completed. In this regard, Programs need to undertake efforts to ensure that the applicant will be able to complete the initiative. As with hiring an employee or engaging the services of a contractor, the hiring organization would normally undertake reference checks to determine an individual's past performance. We believe that an applicant's past performance should be documented in the working file. For a long-standing client, the documentation could be in the form of a note to the file from Program personnel. For applicants that are new to the Program, the Program Consultant could contact funding organizations, within the Department or external to the Department (source of

information being the applicant's financial statements), that may have provided funding in the past.

In most of the proposed funding arrangements, required documentation was not present in the working files.

### **Recommendations**

**The Director General, Heritage Policy Branch re-write or amend the Program guidelines to contain:**

- **A sufficient amount of information to assist applicants in the preparation of measurable outcomes and criteria to be used to measure achievement of the planned outcomes.**
- **A sufficient amount of information to assist applicants in preparing cash flows for the total project.**

**The Director General, Heritage Policy Branch, ensure that working files contain documentation relating to an applicant's past performance.**

### **Management Responses**

**The Director General, Heritage Policy Branch has amended the program guidelines for funding cycle 2002-2003 to contain:**

- **A sufficient amount of information to assist applicants in the preparation of measurable outcomes and criteria to be used to measure achievement of planned outcomes.**
- **A sufficient amount of information to assist applicants in preparing cash flows for the total project.**

**The Program will develop budget and outcome templates for funding cycle 2003-2004.**

**In keeping with the collaborative nature of the program, the Director General, Heritage Policy Branch, with the Regional Executive Directors, who are responsible for the 97 percent of the files that are regional, will ensure that working files contain documentation relating to an applicant's past performance.**

### **Shortcomings in the Recommendation For Approval Forms (RAF)**

The RAF, which is generated from the Grants and Contributions Information Management System (GCIMS), provides a summary of the proposed funding arrangement, including description of the project, eligibility justification, project

assessment, recommendation justification and details on planned revenues and expenditures. The RAF is the salient document in the file that is presented to the Minister for approval. It is therefore critical that the RAF contain meaningful information.

In many files we noted shortcomings in the quality of information in two areas:

### Expenditures

The RAF provides for presentation of information for each category of expenditure e.g. salaries, consultant fees, travel and others, for the following three categories:

- The total project amount;
- The amount requested by the applicant; and
- The amount being recommended for funding.

For many files we noted that details were not provided for the various categories for both the amounts being requested by the applicant and the amounts being recommended for funding. Under these circumstances, the information being presented to the Minister is not as meaningful as it could and should be.

The budget form for the 2001-2002 files called for applicants to allocate their request for funding to the expenditure categories. The budget form for the 2002-2003 round of funding called only for a total request rather than by category. Given the lack of information for 2002-2003 budgets, coupled with limitation in the GCIMS functionality, it was not possible to allocate amounts to the requested and recommended fields in the RAFs.

### Revenue Sources

The RAF contains a section to outline the amount of planned project funding, by source of funding. Sources may include the applicant, other levels of government and the Program. We noted in a number of instances that the planned amount of funding from the Program was the amount requested by the applicant rather than the amount being recommended by the Program. In these instances, the RAF did not highlight an impending shortfall, i.e. the difference between the amount requested by the applicant and the amount being recommended by the Program, nor how the shortfall would be financed. This matter is critical when the impending shortfall is material in amount and the applicant may not be in a strong enough financial position to absorb the shortfall.

This issue was discussed with Program personnel at Headquarters, who stated that it is the Program's practice not to contact the applicant during the assessment

process as raising this issue would effectively indicate to the applicant the amount being recommended. However, review of the files indicated the following:

- A number of RAFs reflected the shortfall indicating that communications had taken place with the applicant regarding the amount being recommended for approval contrary to stated Program practice.
- One Program Consultant stated it was his/her practice to inform applicants of the amounts being recommended, prior to approval by the Minister.

This issue could be addressed in the Program guidelines by requiring the applicant to address how the project would proceed in the event that the amount of funding awarded is a specific percentage less than the amount being requested.

### **Recommendations**

**The Director General, Heritage Policy Branch, amend the Program application form to require applicants to request funding by expenditure categories, e.g. salaries, consultant fees, travel and others.**

**The Director General, Heritage Policy Branch ensure that:**

- Requested and recommended funding amounts are reflected in the RAFs, by expenditure category; and
- Shortfalls in funding, along with an explanation relating how the shortfall will be financed, are reflected in the RAFs.

### **Management Responses**

**The Director General, Heritage Policy Branch will amend the program application form for funding cycle 2003-2004 to require applicants to request funding by expenditure categories, e.g. salaries, consultant fees, travel and others.**

**The Director General, Heritage Policy Branch now requires in the program guidelines that:**

- Requested and recommended funding amounts are reflected in the RAF, by expenditure category; and
- Shortfalls in funding, along with an explanation relating how the shortfall will be financed, are reflected in the RAF.

### **In-Kind Expenses**

It is frequently necessary for organizations to receive in-kind contributions to successfully complete a project. The Program guidelines address in-kind contributions, as follows:



- In-kind means “non-monetary goods or services received by an organization for which a monetary value is assigned but no transfer of funds takes place in return. Examples include non-remunerated personnel (volunteer time), donated professional fees and services, or use of facilities without charge.”
- In the text of the guidelines it is stated: “Monetary revenues anticipated for the project must be included in the detailed budget. Indirect revenues such as gifts in-kind and donations of non-remunerated personnel are not to be included in this calculation.” We have interpreted “in this calculation” to mean in the budget. By deduction, as in-kind revenues are not to be included in the budget, in-kind expenses should not be included in the budget.

We noted two instances where in-kind revenues and expenses were included in project budgets. In both instances, the applicant intended to undertake the project with a partner and the partner planned on providing members of its organization to the project, at no charge. In these circumstances, and in reference to the definition above, the applicant would be receiving services but no transfer of funds would take place. For these two projects, in-kind expenses were included in the budget and therefore the budgets were overstated. The matters surrounding the overstatement have been resolved to our satisfaction.

Program personnel at Headquarters believe that project-related costs incurred by Partners are not in-kind by nature and should be included in the project budget. We disagree, as the applicant is the Recipient and the Recipient will not incur cash outlays.

We believe this issue has arisen due to a lack of clarification and understanding surrounding the subject of in-kind revenues and expenses.

### **Recommendation**

**The Director General, Heritage Policy Branch, in concert with representatives from the Finance and Corporate Review Branches, address the issue of in-kind revenues and expenses, and re-write or amend the Program guidelines accordingly.**

### **Management Response**

**The Director General, Heritage Policy Branch, in concert with representatives of the Finance and Corporate Review Branches, have discussed the issue of in-kind revenues and expenses, and have amended the program guidelines accordingly, however further discussion is required for funding cycle 2003-2004. MAP guidelines 2002 now define *In-kind contributions* as “Materials or services that are donated to a project, either by arm’s length parties or by the applicant, i.e. the applicant’s contribution.”**

## **Review of Project Budgets**

The Program provides funding up to 50 or 70 percent of eligible expenses, depending on the component under which a project will be funded. In this respect, it is prudent that the Program is assured, to the extent practicable, that the amounts contained in the total project budget are reasonable. This level of assurance can be achieved by ensuring that there is sufficient documentation to support the planned costs. In determining what is sufficient, it is necessary to address cost items that are material in amount in relation to the total costs. Sufficient documentation should be provided such as the following:

- The Executive Director will devote 50 percent of the year on the project. Information should be obtained to determine:
  - the actual Executive Director's annual salary and benefits
  - which activities will the Executive Director will perform and whether they are reasonable and incremental to ongoing operations.
- Consultant fees. How was the estimate arrived at?
  - Was a Quote obtained? Has it been reviewed?
  - Were tenders called? Have the results of the tender call been reviewed?
- Similar investigation could be undertaken for all other expense items such as, crating costs, costs to produce catalogues and travel.

In two working files there was evidence of the Program Consultants asking questions and obtaining the appropriate amount of documentation to support the reasonableness of budgets. In both cases we noted there were reductions in the total planned project costs.

In most files, however, there was no evidence of the reasonableness of planned costs. We believe this issue has arisen due to a lack of training for Program Officers.

## **Recommendation**

**The Director General, Heritage Policy Branch ensure that Program Officers are adequately trained to analyse project budgets to provide a high level of assurance regarding their reasonableness.**

## **Management Response**

**The Director General, Heritage Policy Branch, in collaboration with the Regional Executive Directors, will implement a process that will ensure the reasonableness of the total project budgets. Training will be done in January 2003 prior to the completion of the MAP 2003-04 applications analysis.**

## Panel Assessments

Departmental policy requires that working files contain the results of panel and peer assessments, in instances where panel/peer reviews are an integral part of a Program's assessment process. The purpose of this requirement is to provide supporting information from independent third parties that often are knowledgeable individuals in the area of Program activities.

Most of the panel/peer assessments were on file. However, our review of the panel comments indicated four instances where negative comments about the proposed project were present and no comments were provided as to the disposition of these matters and yet the projects continued along the process for approval.

## Recommendation

**The Director General, Heritage Policy Branch, ensure that working files contain the results of panel and peer assessments. In instances where negative comments are reflected in the panel or peer assessments, a note be placed on the working file addressing the negative matters and how they were overcome in order to permit the project to proceed along the approval process.**

## Management Response

**The Director General, Heritage Policy Branch, in concert with the Regional Executive Directors, will ensure that the working files contain the results of panel and peer assessments by March 31, 2003. In instances where negative comments are reflected in the panel or peer assessments, a note will be placed on the working file addressing the negative matters and how they were overcome in order to permit the project to proceed along the approval process.**

## CONCLUSION

### Improvement in Due Diligence Management Practices

On the part of Treasury Board and the Office of the Auditor General, there is a high level of interest in the due diligence in management practices for transfer payment programs. The consequences of not managing Programs with due diligence may be significant. Based on the contents of this report, it is clear that the Program must address many matters that will result in an improvement in due diligence.

We believe many of the observations in this report are due to the need for:

- Better understanding of the Program on the part of personnel;
- Clear direction from management regarding Program policy at Headquarters and the Regions; and

- Better control over the process.

In this respect it would be appropriate for the Program to develop procedures outlining activities to be undertaken by all Program personnel throughout the entire transfer payment funding process. Application of the procedures would result in consistency of practices in all Regions.

### **Recommendation**

**The Director General, Heritage Policy Branch, prepare a document outlining activities to be undertaken by all Program personnel throughout the entire transfer payment funding process.**

### **Management Response**

**The Director General, Heritage Policy Branch, in concert with the Regional Executive Directors, will improve due diligence management practices by developing by March 31, a document outlining activities to be undertaken by all program personnel throughout the entire transfer payment funding process. More and better communication between DGHPB and the Regional Executive Directors will be developed through various means.**